

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE  
AND THE REGULAR MEETING OF THE COMMISSIONERS  
HELD ON MAY 17 AND 18, 2004

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on May 17 and 18, 2004, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Charles L. Krum, Jr., Chairman  
Jay Fisette, Vice Chairman  
Joan D. Gifford  
Terri M. Ceaser  
Jody M. Wagner  
William C. Shelton  
Douglas R. Fahl  
John P. McCann  
J. Cheryl J. Avery-Hargrove  
Jack Loeb, Jr.

COMMISSIONER ABSENT:

Edward L. McCoy

OTHERS PRESENT:

Susan F. Dewey, Executive Director  
Donald L. Ritenour, Managing Director of Development  
Thomas A. Dolce, Managing Director of Servicing and Compliance  
Arthur N. Bowen, Managing Director of Finance and Administration  
Ronald A. Reger, Managing Director of Information Services  
Tammy N. Taylor, Managing Director of Human Resources  
Russ E. Wyatt, General Auditor  
J. Judson McKellar, Jr., General Counsel  
John F. Hastings, Director of Multi-Family Development Programs  
M. Gary Murray, Controller  
Sharon B. Fairburn, Housing Choice Voucher Program Director  
Barbara K. Blakenship, Human Resources Manager  
John P. Smith, Portfolio Analyst  
James M. Chandler, Program Director  
Paul M. Brennan, Deputy General Counsel

Linda K. Evans, Budget and Risk Management Analyst  
Ron Reynolds, Palmer & Cay

The meeting of the Committee of the Whole was called to order at 3:10 p.m. on May 17, 2004. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee, except Commissioner Fisette who joined the meeting of the Committee in progress as noted below and thereafter remained present during the meeting of the Committee.

Ms. Dewey presented a report on the external stakeholder survey conducted by the Authority in which she advised the Commissioners as to the demographics and response rate of the stakeholders surveyed and analyzed the results of the responses to the survey questions. During this report, Commissioner Fisette joined the meeting. Ms. Dewey advised the Commissioners that the results of the survey would be reviewed with the Authority's advisory boards and that a summary of the results would be sent to all those persons who received the survey.

Ms. Taylor reported on the internal survey of the Authority's associates that had been conducted for the Authority by Palmer & Cay. In her report, Ms. Taylor presented background information on the survey- including the number of persons surveyed, the response rate, the inclusion of standard demographic questions, the use of an Internet based tool for responding to the survey, and the sharing of the results with the associates- and reviewed the objectives of the survey. Mr. Reynolds summarized the results of the survey and presented the recommendations of Palmer & Cay for future actions by the Authority in response to the survey. Ms. Taylor advised the Commissioners as to the timeline for the next steps to be taken by Palmer and Cay and the Authority. Ms. Dewey then presented a comparison of the responses to six similar questions contained in both the external and internal survey.

Mr. Bowen presented a report on the Authority's proposed annual budget for fiscal year 2004-2005 in which he reviewed production, revenues and expenses for fiscal year 2003-2004, strategic plan goals for fiscal year 2004-2005, and production, revenues and expenses for fiscal year 2004-2005.

There being no further business, the meeting of the Committee of the Whole was recessed at approximately 6:15 p.m.

The meeting of the Committee of the Whole was reconvened at 8:45 a.m. on May 18, 2004. All of the Commissioners listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Mr. Chandler presented a report on the Authority's Qualified Allocation Plan for the federal low-income housing tax credit program. In his report, Mr. Chandler reviewed the federal requirements for the Qualified Allocation Plan, the Authority's mandatory submission requirements, and the categories of points awarded under the Qualified Allocation Plan.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 9:55 a.m.

The regular meeting of the Board of Commissioners was called to order at approximately 11:20 a.m. on May 18, 2004. All of the Commissioners listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Fisette who joined the meeting in progress as noted below and thereafter remained present during the meeting and except Commissioner Shelton who was not present during the meeting.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

Commissioner McCann moved approval of the minutes of the meeting of the Committee of the Whole and the retreat meeting and regular meeting of the Commissioners held on March 15 and 16, 2004. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the periods ended February 29, 2004 and March 31, 2004. During this report, Commissioner Fisette joined the meeting.

Chairman Krum reported that the Committee of the Whole had received and discussed reports on the external stakeholder survey and the internal associate survey and a report on the Authority's proposed annual budget for fiscal year 2004-2005. Commissioner Avery-Hargrove moved approval of the resolution entitled "Resolution- Adoption of Operating Budget- Fiscal Year 2005" dated May 18, 2004, in the form attached hereto. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting. Commissioner Krum next reported that the Committee received and discussed a report by Mr. Chandler on the Authority's Qualified Allocation Plan for the federal low- income housing tax credit program.

Ms. Dewey reported, on behalf of the Executive Committee, that the Committee recommended that the position of Chairman be rotated at least every two years, that Commissioners on the Executive Committee be preferred for election as Chairman, that the Executive Committee serve as the nominating committee for the position of Chairman, and that any Commissioners who are interested in serving as Chairman would notify the Executive Committee. After a discussion of these recommendations, it was the consensus of the Commissioners that the Authority staff prepare, for presentation at the next meeting of the Commissioners, an amendment to the Bylaws of the Authority to limit the terms of any Chairman to two consecutive terms, including any unexpired term, that no preference in the election of the Chairman be given to Commissioners on the Executive Committee, that the Executive Committee serve as the nominating committee for the position of the Chairman, and that any Commissioners who are interested in serving as Chairman would notify the Executive Committee.

Commissioner Fahl, on behalf of the Audit/Operations Committee, reported that the Committee had received a presentation from representatives of KPMG LLP on their plan for the performance of the 2004 annual audit, that the Committee agreed to extend the contract with KPMG LLP for an additional term of one year as permitted by the terms of such contract, and that the General Auditor will report to the Committee at its meeting in November 2004 on whether such contract should be extended for another one year term. Commissioner Fahl next reported that the Committee reviewed, and recommended approval of, a resolution to amend the general bond resolution for the Rental Housing Bonds by authorizing the financing thereunder of mixed income, mixed use developments. Commissioner Fahl then moved approval of the resolution entitled "Supplemental Resolution Amendatory of and Supplemental to a Resolution Providing for the Issuance of Rental Housing Bonds of the Virginia Housing Development Authority and for the Rights of the Owners Thereof" dated May 18, 2004, in the form attached hereto. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting. Commissioner Fahl next reported that the Committee had received and discussed a report from Mr. Bowen on the salient features of the Authority's proposed Rental Housing Bonds, 2004 Series F-Taxable, G-AMT and H, an update by Ms. Taylor on the staff's review of the Authority's Retiree Health Care Plan, a report by Ms. Taylor on compensation trends indicating that salary adjustments are consistent with the 3 ½% adjustment included in the Authority's annual budget for fiscal year 2004-2005, and a report from Mr. Wyatt on the cash payment received by the Authority in 1997 as a result of the conversion of Trigon to a stock corporation. Commissioner Fahl advised the Commissioners that the Committee had authorized the Executive Director to develop and implement a plan that would distribute the cash payment received from Trigon to associates with large sick leave balances as payments for the partial reduction of such balances and that would encourage such associates to contribute their payments to their retirement plans.

Commissioner Gifford, on behalf of the Programs Committee, reported that the Committee had received staff reports on homeownership and multi-family loan production and delinquencies and on the Housing Choice Voucher Program. Commissioner Gifford next reported that the Committee received a staff report on, and recommended approval of, the proposed allocation of \$16,000,000 in the Virginia Housing Fund for the next cycle of the Regional Loan Fund to become effective July 1, 2004, and the proposed allocation of \$1,000,000 in the Virginia Housing Fund for a line of credit to the Federation of Appalachian Housing Enterprises. Commissioner Gifford then moved approval of such allocations. This motion was seconded by Commissioner Avery-Hargrove and was approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting. Commissioner Gifford next reported that the Committee received and discussed the preliminary rankings of the applications for allocations of the federal low-income housing tax credits for 2004 and discussed the Authority's efforts to increase the number of single family loans made by the Authority to Hispanic households.

Ms. Dewey presented her report of operations in which she advised the Commissioners as to the following matters: the receipt of more than 2,000 responses to the Authority's radio and television advertisement campaign within the first 30 days of such campaign; the participation in the Rebuilding Richmond initiative by Authority associates and volunteers from the Richmond

Redevelopment and Housing Authority and the Omega Psi Phi fraternity at Virginia Commonwealth University; the hosting by the Authority of a meeting on April 28-30, 2004 of the executive directors of state housing finance agencies located in the southeast region; various upcoming housing events, meetings and conferences; the passage by the U.S. Senate of a bill to eliminate the 10-year rule in the Internal Revenue Code that prohibits the recycling of single family loan prepayments into new single family mortgage loans after 10 years from the date of issuance of tax exempt bonds; and the recent monthly article by the Authority in the Virginia Association of Realtors' Commonwealth magazine discussing the Authority's new sales price limits. Ms. Dewey then presented a resolution expressing the Authority's appreciation for 30 years of service by Mr. Ritenour and Ms. Michele Watson. Vice Chairman Fisette moved approval of the resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Donald L. Ritenour and Michele G. Watson" dated May 18, 2004 in the form attached hereto. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting. Ms. Dewey then noted that this was the last meeting for Chairman Krum and Commissioner Avery-Hargrove and advised the Commissioners that a resolution would be prepared to express the Authority's appreciation for their eight years of service on the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 12:35 p.m.

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Chairman

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J. Judson McKellar, Jr.  
Assistant Secretary

# VIRGINIA HOUSING DEVELOPMENT AUTHORITY

## MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE HELD ON MAY 18, 2004

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on May 18, 2004, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

### COMMITTEE MEMBERS PRESENT:

Charles L. Krum, Jr., Chairman  
Jay Fisette  
Joan D. Gifford  
Douglas R. Fahl

### OTHERS PRESENT:

Susan F. Dewey, Executive Director

The meeting of the Committee was called to order by Chairman Krum at approximately 8:10 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

The Committee discussed the process for selecting the Chairman of the Board. Following this discussion, it was the consensus of the Committee to recommend that the position of Chairman be rotated at least every two years, that Commissioners on the Executive Committee be preferred for election as Chairman, that the Executive Committee serve as the nominating committee for the position of the Chairman, and that any Commissioners who are interested in serving as Chairman would so notify the Executive Committee.

There being no further business, the meeting was adjourned at approximately 8:35 a.m.

# **VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

## **MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE** **ON MAY 18, 2004**

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 18, 2004, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

### **COMMITTEE MEMBERS PRESENT:**

Joan D. Gifford, Committee Chairman  
Terri M. Ceaser  
William C. Shelton  
John P. McCann  
Jack Loeb, Jr.  
Jay Fisette

### **OTHERS PRESENT:**

Susan F. Dewey, Executive Director  
Donald L. Ritenour, Managing Director of Development  
Thomas A. Dolce, Managing Director of Servicing and Compliance  
John F. Hastings, Assistant Director of Multi-Family Development  
Llewellyn C. Anderson, Business Liaison  
Jim Chandler, Director of Low Income Housing Tax Credits  
Sharon Fairburn, Director of Housing Choice Voucher  
Paul Brennan, Deputy General Counsel

The meeting of the Committee was called to order by Commissioner Gifford at approximately 10:06 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Commissioner McCann moved approval of the minutes of the meeting of the Committee held on March 16. This motion was seconded by Commissioner Ceaser and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Next, Mr. Chandler presented a report on the preliminary rankings of the applications for FY2004 Low Income Housing Tax Credits and also reported that the comment period regarding these rankings would end June 1, 2004. FY2004 final rankings would be announced on June 15, 2004.

Mr. Ritenour presented reports on single family and multi-family loan production. There was a brief discussion on the Authority's efforts to increase the number of single family loans made by the Authority to Hispanic households.

Next, Mr. Dolce presented a report on multi-family and single family loan servicing delinquencies and the Housing Choice Voucher Program. He reported that the HCV program continues to be at 98% leasing. Ms. Fairburn also updated the Committee on HUD's HCV funding status for FY04 and proposed status for FY05.

Mr. Ritenour presented a report and requested approval of an allocation of \$16,000,000 in the Virginia Housing Fund for the next cycle of the Regional Loan Fund to become effective July 1, 2004, and an allocation of \$1,000,000 in the Virginia Housing fund for a line of credit to the Federation of Appalachian Housing Enterprises. There was unanimous agreement by the Committee to recommend Board approval of these allocations.

There being no further business, the meeting was adjourned at approximately 11:14 a.m.

**Minutes of the Meeting of the Audit/Operations Committee Held on May 18, 2004**

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 18, 2004 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

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**Committee Members Present** J. Cheryl J. Avery-Hargrove, Esquire  
Douglas Fahl  
Charles Krum  
Jody Wagner

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**Others Present** Susan F. Dewey, Executive Director  
Art N. Bowen, III, Managing Director of Finance & Administration  
Judson McKellar, General Counsel  
Ron A. Reger, Managing Director of Information Services  
Tammy N. Taylor, Managing Director of Human Resources  
Russ Wyatt, General Auditor  
Michelle Edmonds, Administrative Assistant  
Robert Best, KPMG  
Kevin P. Strecker, KPMG

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**Meeting Called to Order** The meeting was called to order at 10:05 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Jody Wagner who joined the meeting in progress as noted below and thereafter remained present during the meeting.

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**Approval of Minutes** Commissioner Krum moved approval of the minutes of the meeting of the Audit/Operations Committee held on March 16, 2004. Commissioner Hargrove seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

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**External Audit/KPMG** Robert Best and Kevin Strecker of KPMG discussed their plan for the 2004 audit. During this presentation, Commissioner Wagner joined the meeting. Processes to be reviewed in the current year include: lending, bond management, treasury management, OREO management and financial reporting (includes investments). Preliminary fieldwork will begin in late June 2004. Actual tests of controls will occur August, 2004 – September, 2004. KPMG will prepare audited financial statements which are due to the Governor's Office within 90 days of year-end (September 30, 2004). The annual management letter and single audit reports will be issued prior to the September 2004 Audit/Operations Committee meeting.

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**External  
Audit/KPMG**  
(cont'd)

The following areas of audit emphasis have been identified for the June 2004 audit:

- Loan loss allowance (especially related to the single family Flex product); and
  - Amortization of discounts related to market interest and loan quality on loans purchased from the Virginia Housing Partnership Revolving Fund.
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**Internal Audit  
Update**

The General Auditor reported that KPMG's 2004 audit would be its third audit under the current three year contract. As the contract allows for two one year extensions and KPMG has performed well during the contract period, the General Auditor recommended extension of the contract for two years as allowed under the contract. After discussion by the committee, members agreed to extend the contract for one year and requested that the General Auditor report to the Committee at its November 2004 meeting on whether such contract should be extended for another one-year term.

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**Contracts for  
Outside  
Counsel**

Judson McKellar, general counsel, reported that the contracts for outside counsel, bond counsel and special tax counsel will be extended for an additional term of one year ending on August 31, 2005 and that during the next fiscal year the Authority will be issuing requests for proposals in order to select its counsel prior to expiration of the existing contracts on August 31, 2005. Commissioner Wagner moved for approval of the extension. Commissioner Krum seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

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**Amendment to  
General Bond  
Resolution for  
the Rental  
Housing Bonds**

Judson McKellar, general counsel, presented a proposed resolution to amend the Authority's general bond resolution that authorizes the issuance of its multi-family Rental Housing Bonds. The proposed resolution authorizes the use of the proceeds of the Rental Housing Bonds to finance mixed income and mixed use developments, as will be permitted by House Bill 825 which was adopted by the 2004 Session of the General Assembly and will become effective on July 1, 2004. Commissioner Krum moved that the committee recommend the adoption of the proposed resolution. This motion was seconded by Commissioner Hargrove. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

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**Salient  
Features**

Art Bowen, Managing Director of Finance & Administration reviewed salient features for an upcoming rental housing bond issue. The issue size is \$115 million with a projected pricing and closing date of mid July/late August. This issue will be

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**Salient  
Features** (cont'd)

a combination of tax-exempt and taxable bonds and may include a refunding component. The bonds will be sold by competitive bid and it is anticipated to receive a Aa+ rating from Moody's and S&P.

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**Update on  
Retiree Health  
Care**

Tammy Taylor, Managing Director of Human Resources, reviewed the current state of VHDA's retiree healthcare plan. The retiree health care plan was designed in 1988 and needs to be updated due to recent changes in the law and more options for employers to assist employees with their retirement healthcare needs. A team has been formed to review the processes in the current plan and provide management with an overview, benchmark data and key issues. Palmer & Cay has also been assisting with this effort.

The desired future state is to have a retirement healthcare plan that provides a benefit to retirees that is of value to them and ensures the solvency of the plan for current and future retirees. In June, members of management will work with the team to decide basic philosophies of the plan and run new actuarial scenarios with the goal to implement changes starting calendar year 2005. Commissioner Wagner suggested that staff research to see what the private sector is doing with regard to retiree health care after Medicare coverage begins. Tammy will keep the Audit/Operations Committee abreast of plans in progress.

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**Compensation  
Trends**

Tammy Taylor reported that based on updated information, an aggregate merit pool of 3.5% is in alignment with area businesses. At the July Audit/Operations Committee, she will affirm distribution of funds in the form of merit increases for eligible VHDA associates.

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**Trigon Refund**

Russ Wyatt, general auditor, reviewed the background of a payment received by VHDA in 1997 from Trigon BC/BS as a result of its demutualization. Mr. Wyatt reported that the Leadership Team had recommended in May 2003 that these funds be used to buy down large associate sick leave balances at \$.50 on the dollar in anticipation of a move to a paid time off policy that will eventually cap sick leave. Mr. Wyatt further indicated in his report that this recommendation had been rejected by the Committee, although the Committee had not given management any specific guidance regarding how to proceed. Mr. Wyatt requested that the Committee provide additional guidance on this issue in the form of a high level direction and that the Committee authorize the Executive Director to carry out their wishes without additional Committee approval for the specific plan details. After considerable discussion, Commissioner Krum moved that the Executive Director be authorized to develop and implement a plan to distribute the Trigon demutualization funds to associates with large sick leave balances as payment for the partial reduction of such

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**Audit/Operations Committee Minutes**  
**May 18, 2004**

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**Trigon Refund** balances and that the plan developed encourage associates to contribute their  
(cont'd) payments to their retirement plans. This motion was seconded by Commissioner  
Hargrove and was approved by the affirmative vote of each of the members of the  
Committee then present at the meeting.

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**Adjournment** There being no further business, Commissioner Fahl adjourned the meeting at 11:20  
a.m.

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Arthur N. Bowen, III  
Managing Director of Finance &  
Administration

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Douglas R. Fahl  
Chairman